



BLO/223/06

8th August 2006

PATENTS ACT 1977

APPLICANT William W. Jeswine

ISSUE Whether patent number
EP0830285 should be restored under
section 28

HEARING OFFICER G J Rose'Meyer

DECISION

Introduction

- 1 This decision concerns whether the patent in suit should be restored following a failure to pay a renewal fee.
- 2 The renewal fees in respect of the eighth year of the patent fell due on 30th May 2003. The renewal fee was not paid by that date or during the six months allowed under section 25(4) upon payment of the prescribed additional fees. The patent therefore lapsed on 30th May 2003. The application for restoration of the patent was filed on 28th July 2004, within the nineteen months prescribed under rule 41(1) (a) for applying for restoration.
- 3 After consideration of the evidence filed in support of the application for restoration, the applicant was informed that it was the preliminary view of The Patent Office that the requirements for restoration, as laid down in section 28(3), had not been met. The applicant did not accept this preliminary view and requested a hearing.
- 4 The matter came before me at a hearing on 12th December 2005, at which the applicant was represented by Mr. Colin Jones of the firm Withers & Rogers.

The evidence

- 5 The evidence filed in support of the application consists of:
 - a) An affidavit from Ms Susan D Betcher, an associate of the law firm Seed IP Law Group LLP ("Seed IP"), of Seattle, USA
 - b) Two affidavits from Mr. William W. Jeswine (the applicant), who

conducted his affairs out of Seattle, USA.

Background

- 5 In 1995 the applicant Mr. Jeswine sold certain rights in the income of the patent in suit to an investment company in the Isle of Man, who soon after, sold these rights on to Eagle Premier Ltd (“Eagle”) of Cork, Ireland. The evidence of the applicant suggests that Eagle is a holding company for emerging technologies, but he has no further knowledge of them than that.
- 6 At the time of the sale, Mr. John Fitzgerald, the managing director of Eagle engaged the services of Mr. Sterling Crum as their primary US consultant on matters to do with the sale.
- 7 In 1996-1997 Mr. Jeswine formed a company called CDF International (“CDFI”) to handle the technology side of the patent in suit. Later in 1997, CDFI entered into an agreement with Eagle to purchase 50% of all non-US revenue generated by the patent. The agreement also stipulated that Eagle were responsible for the payment of renewal fees. It was informally agreed that this arrangement would be in place for as long as necessary until any required changes were communicated by Mr. Jeswine. This it was felt would cut down on unnecessary detailed communications and save both parties time and money.
- 8 Many of the details of the agreement between CDFI and Eagle were verbalized and never formally contracted. Mr. Jeswine conducted some written business directly with Eagle or verbally via Mr. Crum. He never actually spoke to or met Mr. Fitzgerald of Eagle. Ms. Betcher of Seed IP states that these arrangements worked satisfactorily for about five and a half years.
- 9 Mr. Jeswine also employed Seed IP to assist with the maintenance of this patent. Seed IP were to issue timely reminders directly to Eagle and was only to pay the annuities upon definite instructions from Eagle. All financial matters were dealt with between Seed IP and Eagle and Mr. Jeswine was not party to those matters as his responsibility was the technical side. This arrangement also worked satisfactorily for about five and a half years according to Mr. Jeswine.
- 10 The UK firm of Patent Attorneys Withers & Rogers’ role in the renewal process was to send the official UK Patent Office reminder letters (PREN 5 EP) to Seed IP, which in this instance for the eighth renewal they duly did on time on 16th June 2003 and which was successfully received by Seed IP.
- 11 In fact Seed IP had begun the reminder process prior to receiving the PREN 5 EP, which is only issued by the Patent Office some six weeks or so after the due date for renewal. Seed IP issued their first reminder to Mr. Fitzgerald at Eagle on 11th April 2003, well before the due date of 30th May

2003. No response from Eagle was forthcoming, so on 14th May 2003 Seed IP issued a fax reminder letter directly to Mr. Jeswine.

- 12 Mr. Jeswine did not respond to that reminder until 23rd September 2003. The reason for this is that in all the dealings Mr. Jeswine had had with Eagle in previous years it had become established practice for Eagle to delay responses on all communications, often waiting until the last day with instructions and/or funds from Ireland. It was not unusual, Mr. Jeswine says in his evidence, for Eagle to wait three or four months before responding to correspondence. He accepted this, as Eagle were paying the expenses that he was unable to pay and although delayed, matters were always dealt with eventually. So when he received Seed IP's reminder on 14th May 2003, he was not overly concerned as matters concerning Eagle seemed to be running their usual course.
- 13 In the period May to September 2003 Mr. Jeswine sent some mail to Eagles' existing address to find out why they were not responding, but this itself was never responded to. He did not have a fax or phone number for them and no email address. At this point, he states he began to wonder whether his agreement with them for them to pay the annuities on the patent was still in place or indeed whether they had ceased to operate at all.
- 14 In another attempt to communicate with Eagle, Mr. Jeswine contacted their consultant Mr. Crum to see if he had any knowledge about them, but he had not had cause to contact them for some time and could not confirm whether they were still in existence or not.
- 15 Despite his previous experiences with Eagles' delayed responses, Mr. Jeswine began to doubt whether payment instructions and funds from Eagle might be forthcoming at all and even began to consider finding an entity to provide resources to pay the fees, although he does not expand any further on this in the evidence. He knew he had until the 30th November 2003 to pay the renewal fee and he felt he could not know for sure until that date whether Eagle would finally default on the payment and their agreement.
- 16 So, "to be on the safe side" as Mr. Jeswine puts it in his evidence, on 23rd September 2003, he responded to Seed IP's 14th May 2003 reminder by saying that they should consider that perhaps Eagle had ceased to exist and to send all future correspondence directly to him. However, due to his financial situation, Seed IP were not to pay the annuity until his definite instructions to do so.
- 17 Following this communication, Seed IP sent Mr. Jeswine two more reminders on 29th September and 12th November 2003, but they did not receive any instructions to pay the eighth year annuity with surcharges.
- 18 In reaction to the first of these reminders, Mr. Jeswine states that he immediately sent an urgent reminder request to Eagle via regular post and indeed facsimile, although this contradicts his earlier evidence that he had

no fax number for them. At this point, he still states that he had every expectation that Eagle would follow their usual pattern and pay the fees at the last minute.

- 19 Mr. Jeswine continued to send reminders to Eagle each week after this until early December, by which time no fees had been paid and the patent in suit had lapsed on the 30th November 2003.
- 20 On the 18th November 2003, without prior warning, Mr. Jeswine was served with an eviction notice from his place of residence and work by his landlords. This, he states, severely disrupted his efforts to deal with this patent matter effectively.
- 21 On the 5th December 2003 Mr. Jeswine had an associate inquire of Seed IP as to the latest position on payment of the annuity, at which point he was told it had not been paid and had lapsed.

The Law

- 22 At the hearing and in writing prior to that, there were suggestions that the lapse of this patent was “unintentional”. This the standard applied by an amendment to Section 28(3) of the Patents Act 1977 with effect from 1 January 2005. This amendment of the law replaced the standard which required the Comptroller to be satisfied that the proprietor took “reasonable care” to see that the renewal fee was paid on time. However, as the patent in suit ceased prior to 1st January 2005, it is the standard of “reasonable care” that applies in this case.

- 23 Section 28 (3) of the Patents Act 1977 as it applies to this case states:

If the comptroller is satisfied that –

(a) the proprietor of the patent took reasonable care to see that any renewal fee was paid within the prescribed period or that that fee and any prescribed additional fee were paid within the six months immediately following the end of that period,

the comptroller shall by order restore the patent on payment of any unpaid renewal fee and any prescribed additional fee”

- 24 In accordance with Section 28 (3), I have to determine whether or not the applicant took “reasonable care” to see that the eighth year renewal fees were paid on the patent in suit. In deciding this matter it is helpful to bear in mind the following direction given by Aldous J in *Continental Manufacturing & Sales Inc’s Patent* [1994] RPC pages 535 to 545:

“The words “reasonable care” do not need explanation. The standard is that required of the particular patentee acting reasonably in ensuring that the fee is paid”.

The applicant's arguments

25 In summary, these are the main points of the applicant's case as I see them relating to all the factors which lead to their belief that reasonable care has been proved:

A renewal system had been put in place and had worked before

26 The period at issue in this case is the eighth year renewal period, which ran from 30th May 2003 until 30th November 2003. The patent in suit is a European Patent designating the United Kingdom and was only granted with effect from 27th March 2002. Its first renewal fee in the UK was due in its seventh year and this was duly paid, albeit late with the relevant surcharges. Mr. Jones informed me at the hearing that the seventh year fees were paid two months late in July 2002. So in effect, this was only the second time the renewal fee was due to be paid in the UK, but this shows that the system for effecting the renewal in the UK as administered essentially by Seed IP and Eagle had worked effectively in the seventh year. It had of course also been renewed successfully at the European Patent Office (EPO) in the past.

27 It is clear from the evidence that Mr. Jeswine was the proprietor of this patent, but that via the agreement between his firm of CDFI and Eagle, he would deal with technical matters relating to the patent and that Eagle would deal with financial matters, including the payment of renewal fees. In effect, it was argued at the hearing by Mr. Jones, this was the discharge of his duty of reasonable care to renew the patent. He had set up a system to renew the patent, which included reminders by IP professionals in Seed IP and financial arrangements via his agreement with Eagle. The system had clearly worked in previous years and it broke down in the eighth year because of a failure Mr. Jeswine was not responsible for and could not have foreseen.

History of late payment

28 The history of Eagle's propensity towards late response and payment is clearly outlined earlier in this decision. It was argued that Mr. Jeswine felt that Eagle were in danger of breaking their side of the agreement to pay the fees, but he was not overly concerned about this until towards the end of the relevant period because of the experience he had had with Eagle's history of final minute response and payment over the five and a half years or so they had operated together.

Breaking the agreement

29 In addition to Eagle breaking their side of the agreement, it was also argued in correspondence that Mr. Jeswine did not want to deal with the renewal himself for fear of breaking his side of the agreement and that is one of the reasons he waited right up until and beyond the due date of 30th

November 2003.

No decision not to pay

30 At no stage in the process had there been a decision not to pay this eighth year renewal fee. Seed IP had issued reminders to Eagle. Withers & Rogers had passed on the PREN 5 EP to Seed IP. Mr. Jeswine had never instructed Eagle or Seed IP not to pay the fees, just not to pay until explicit instructions to do so were given. The fact that Mr. Jeswine accepted and invited correspondence from Seed IP in September 2003 in no way changed his agreement with or responsibilities of Eagle, whom he firmly believed would still pay the annuities due.

Mr. Jeswine's additional actions

31 In spite of the agreement for Eagle to pay and of the delayed responses from them he was used to, Mr. Jeswine took the additional actions of asking Seed IP to direct reminders to him and to regularly send reminders himself (weekly from September through to early December) to Eagle. This was not his responsibility according to the terms of the agreement with Eagle and is clearly a demonstration of the care he was taking of this patent.

The notice to vacate his premises

32 The notice from his landlords came out of the blue on the 18th November 2003. Some twelve days before the final date to renew the patent ran out. It was argued that that while Mr. Jeswine was becoming concerned with the tightness of the deadline in spite of Eagles' previous record of late payment, this notification to vacate the premises came as such a shock and presented such a burden, that Mr. Jeswine could not devote the necessary time at that point to save this patent.

The decision

33 Having considered all the evidence and all arguments submitted in writing and at the hearing, in my judgment the applicant has **not** been successful in demonstrating the statutory requirement to show he has taken reasonable care to ensure the renewal fee was paid.

34 I shall explain my reasons for this below.

The reasoning

A system had been set up and had worked before

35 Although Mr. Jones did not refer to it specifically, this is in effect the argument run successfully in *Marbourn's Patent* (BL 0/376/99) where restoration was allowed where a previously effective system had broken down for reasons which could not reasonably have been foreseen. The breakdown in this instance being Eagle not carrying out their side of the agreement by paying the fees due. This was exacerbated by their failure to

fully follow their usual course of late payment, which forced Mr. Jeswine to wait for their action until it was too late to save the patent.

- 36 On the face of what the evidence says about the system that had been put in place, I accept that it appears to have worked for various renewals at the EPO in the past and for one UK renewal for the seventh year. Some aspects of the system seem very prudent and logical e.g. the appointment of IP specialists in Seed IP and the apparent demarcation of responsibilities regarding the technical (Mr. Jeswine) and financial (Eagle) prosecution of the patent. However, on closer examination of the evidence, I find that although the system had worked, I am not convinced it was necessarily through the reasonable care of the proprietor.
- 37 He states in his evidence that in 1995 he sold certain rights in the income from this patent to an investment company in the Isle of Man, who then a month later sold these on to Eagle. But Mr. Jeswine it seems had no particular knowledge of who Eagle were or what their status or role was. "It is my understanding that Eagle Premier is a holding company for emerging technologies, but I have had no need to confirm that through third parties" Mr. Jeswine states in his first affidavit.
- 38 Nevertheless, despite this lack of detailed knowledge over who he was dealing with, Mr. Jeswine via his firm CDFI, entered into an agreement with Eagle in 1997, which included passing renewal responsibilities over to them. The evidence states that many of the detailed arrangements were never formalized in writing, and Mr. Jeswine never ever met or even spoke to Mr. John Fitzgerald, the managing director of Eagle. And although there is some conflicting evidence on this point, Mr. Jeswine also states that he only had a postal address for Eagle. No other contact details of any sort.
- 39 This seems a naively trusting course of action to me, not necessarily demonstrating what I would regard as "reasonable" in the circumstances of this valuable asset i.e. his patent Mr. Jones characterized Mr. Jeswine at the hearing as "the old fashioned...inventor type whose interest is more in making inventions rather than keeping up himself with the paper work". I take an understanding from that description, although in my view it does not absolve him of his responsibilities towards care of the patent as its proprietor. However, in spite of my views, the lack of knowledge of the other party to the agreement and the informality of some of the arrangements, the renewal arrangements *did* seem to work for some five and a half years or so, as witnessed by the successful renewals at the EPO and the UK.
- 40 However, the system which had operated successfully before, clearly broke down in the period at issue in this case.

History of late payment/ Mr. Jeswine's additional actions

- 41 The evidence shows that although Seed IP and Withers and Rogers carried out their responsibilities in a thoroughly timely and professional manner, Eagle had from early in the relationship with Mr. Jeswine established a

pattern of delayed response to any communications with Mr. Jeswine. He states that he “*often*” had to wait “until the last day with instructions and/or funds. It was not unusual to wait three or four months for a response from Eagle” it seems

- 42 Mr. Jeswine put up with this behavior because Eagle were paying the expenses that he could not pay and because he knew he was dealing with a firm at some distance in Ireland. Matters had always been finally dealt with to his satisfaction, so he was not unduly concerned when the same pattern developed during the renewal process in suit here.
- 43 However, in my view the acceptance of this pattern of delayed response, whilst understandable given the history between the parties, was perhaps inevitably storing up trouble for the future and in my view not reasonable in the full circumstances of this case.
- 44 The evidence clearly states that in spite of the history, Mr. Jeswine himself by 29th September 2003 when he responded to Seed IP’s communication of 14th May 2003 was becoming alarmed by the situation. Whilst stating that he was not “overly concerned” by the 14th May correspondence from Seed IP, he was clearly concerned enough to send correspondence to Eagle from May through to September to investigate their unresponsiveness.
- 45 He became concerned enough by the end of September to ask Seed IP to direct reminders to him and then to write on a *weekly* basis to Eagle himself between September and early December. Mr. Jones argued that this is a demonstration of *additional* care, as these actions were outside of the scope of the agreement he had with Eagle and his natural instincts not to have to deal with the paperwork himself. But, whilst I accept that argument to a point, in my view reasonable behavior in response to the situation unfolding before him would have been to have taken heed of the total non-response from Eagle, now dating back several months, and of the other indications and doubts he himself had had, not to simply carry on with a course of action which obviously wasn’t working.
- 46 He had himself wondered about Eagles’ role in the agreement and over their continuing existence. He even had cause to enquire of Mr. Crum over this, who had expressed the view that Eagle might be out of business, although could not confirm this.
- 47 These I would suggest are indications beyond even Eagles’ established patterns of late response. Although Mr. Jeswine was used to waiting until the final day for Eagle to respond and/or pay, their *total* lack of any response to the various communications sent to them by both Seed IP and himself, was I suggest out of the norm. Enough in fact for Mr. Jeswine to put in place the additional actions he took i.e. having Seed IP redirect mail to him and writing on a weekly basis to Eagle himself. In the one other incidence of UK renewal for this patent in its seventh year, it was indeed paid late, but only about two months late in July 2002. These delays with no response to promptings had gone well beyond that previous experience.

- 48 Whilst I can see how and why Mr. Jones might put a positive slant on Mr. Jeswine's "additional" actions, in my view continuing to send reminder after reminder with no reply was neither sensible nor reasonable behavior. There should have come a point, even very late in the process and period, where attempts to communicate with Eagle should have been substituted with other action himself, notably an attempt to pay the annuity due. (There were references in the evidence to Mr. Jeswine not being able to pay the fees himself and consideration being given to seeking an alternative "entity" to pay the accumulating fees, but this was not expanded upon in evidence or at the hearing).
- 49 It was suggested at the hearing that this action might have been beyond "reasonable" and would have been the ultimate action of payment of the renewal fee, and that is not what the law calls for. But to my mind the point at which Mr. Jeswine's reasonable actions in alerting Eagle as to their responsibilities crossed into not being reasonable was when it became "obvious [to him] that instructions and funds might not be forthcoming" from Eagle (quoted from Mr. Jeswine's first affidavit). There must come a point where it is no longer "reasonable" to pursue a course of action which is designed to prompt someone else to pay for the renewal of your patent when it is clearly not working and to take matters into your own hands and at least attempt to pay the fee in some alternative way.
- 50 There is no precise date I can put on the realisation quoted above (in paragraph 48) in the evidence of Mr. Jeswine, but he says it was "very late in the process". In actual fact on reading the chronology of Mr. Jeswine's evidence, it seems that point came somewhere between 14th May 2003 and 29th September 2003, probably nearer the latter date, as the former is hardly very late in the process.
- 51 Certainly within that period he became aware that Eagle appeared to be almost untraceable. On 1st October 2003 Seed IP reminded Mr. Jeswine that the patent was within its grace period and the evidence states clearly that Mr. Jeswine was well aware that the final date for payment of the fees was 30th November 2003. So at around this point in late September/early October, coming up against the final deadline, receiving no responses and even with the history of late payment, there should have been a realization that things were now critical and a change of tactics was now called for.

Breaking the agreement

- 52 It is understandable that Mr. Jeswine should feel that Eagle had broken their side of the agreement. But it was suggested by Mr. Jones that Mr. Jeswine did not want to deal with the renewal himself for fear of breaking his side of the agreement and that is one of the reasons he waited right up until the due date of 30th November 2003. I don't accept that is necessarily borne out in the statements of Mr. Jeswine in his evidence, but in any event it does not help his case. If he felt that Eagle had broken the agreement, it seems in order to save his patent, Mr. Jeswine would have *had* to take matters into his own hands. With the growing suspicion that Eagle would not ultimately pay the annuities, it seems ill advised to wait until after the

due date before making further enquiries of Seed IP as to the renewal position.

No decision not to pay

53 I largely accept that there was never a decision not to pay the renewal fees. However, even here the standing arrangement was that payment was reliant on explicit instruction from Eagle to Seed IP and then later in September, when Mr. Jeswine told Seed IP to redirect the mail to him, he left instructions that payment was only to be made upon his definite directions to do so. There is nothing in itself wrong with these arrangements, but it seems to me they go to an underlying intention to pay argument and not to the demonstration of reasonable care.

54 I also accept that Mr. Jeswine's instructions to Seed IP to redirect mail to him did not change the agreement he had with Eagle. Where the argument breaks down is his continued belief that they would eventually pay the fees in the face of the mounting evidence to the contrary, but I have dealt with that above.

The notice to vacate his premises

55 I have said above that in my view Mr. Jeswine had behaved reasonably in some aspects e.g. in setting up a system of renewal and in the light of experience of that system, in waiting for Eagle to fulfill their role in that process etc, but that he had allowed this to go too far in waiting beyond the due date for Eagle to make the renewal payment.

56 Mr. Jones argued that if that was the case, it was the incidence of the eviction notice from his landlords which disabled Mr. Jeswine from taking a course of action at that time which might have saved his patent. The notification to vacate the premises came on the 18th November 2003 and it came out of the blue, with no warning. It was only twelve days until the end of the period for renewal and because of the fact that Mr. Jeswine lived and worked out of the premises, the burden and pressure of having to relocate etc meant that Mr. Jeswine could not devote the necessary time needed to save this patent.

57 I said to Mr. Jones at the hearing that I have every sympathy with the predicament Mr. Jeswine found himself in and understand that he undoubtedly would have had many urgent and conflicting priorities at that time. However, I did remind him of *Convex Ltd's Patent* [1980] RPC 423, in which the point was made that because patents are a valuable property, it is the proprietor's responsibility to safeguard them by setting up a system containing more safeguards than might be sufficient to ensure the discharge of ordinary commercial obligations. I take that to mean that patents must be given at least equally high priority as any other business considerations.

58 In this case in my view whilst the eviction notice clearly did not help Mr. Jeswine, it came very very late in the renewal window. Mr. Jeswine had

had mounting prior warning to a breakdown or very serious potential of breakdown of the system in place, and even before the eviction notice had had the opportunity to rectify it himself if he had taken a more sensible and reasonable course of action than he did.

59 This was not a case as in *Marbourn's Patent* (BL 0/376/99) where restoration was allowed where a previously effective system had broken down for reasons which could not reasonably have been foreseen. The system had been breaking down for some time. Although this was not foreseeable in the first instance, however, the evidence shows that the signs were increasingly present and that Mr. Jeswine recognized this or had the opportunities to recognize this. He also had the opportunity, time and potential to explore options to rectify the situation had he have acted reasonably in the circumstances.

Conclusion

60 Whilst I have some sympathy with the applicant in this case, on the evidence before me I am not satisfied that he exercised the degree of care necessary to see that the renewal fee was paid in time or during the grace period in which it could have been paid late with fines.

61 I therefore refuse the application for restoration.

Appeal

62 Under the Practice Direction to Part 52 of the Civil Procedure Rules, any appeal must be lodged within 28 days.

G J Rose' Meyer

Hearing Officer

Acting for the Comptroller